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Bid Pack

Attachment 3 – Statement of Requirements

Contract Reference: TS/CCS/CC/2020/17/02.

Transport Scotland –
Project Neptune - Consultancy Requirements

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1. PURPOSE

- 1.1 Ferry services provided by Scottish Ministers on the Clyde and Hebrides network are delivered by three parties, namely Transport Scotland, Caledonian Maritime Assets Limited and CalMac Ferries Limited. These three parties, each with distinct responsibilities, are often referred to as “the tripartite”. The distinct roles of the three parties and the relationships between them are well established. However, the delivery and cost of ferry services and the relationships involved are complex, and Scottish Ministers are mindful of the perception which exists of a lack of accountability among the three parties.
- 1.2 The purpose of this project is to reflect on whether the governance arrangements between the tripartite bodies remain fit for purpose having regard to the overarching objective of effective, efficient and economic delivery of lifeline ferry services.
- 1.3 We would welcome reflections on the positive aspects of the current arrangements, areas for improvement, and balanced recommendations for the optimal corporate structures and governance arrangements going forward. The project should identify any specific, practical recommendations to improve transparency of decision making for interested parties.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 Transport Scotland is the procuring authority. It is the national transport agency for Scotland, delivering the Scottish Ministers’ transport vision for Scotland. Transport Scotland sets the policy context and strategic outcomes for ferry services in Scotland.

3. BACKGROUND TO REQUIREMENT

- 3.1 Transport Scotland was created on 1 January 2006, as an executive agency of the Scottish Government. Transport Scotland is accountable to Scottish Ministers. Transport Scotland sets the policy context for the provision of ferry services in Scotland, provides a sponsorship function for Scottish Ministers’ shareholdings in Caledonian Maritime Assets Limited and David MacBrayne Limited, provides capital funding for certain vessels and harbours works undertaken by CMAL, and procures and manages contracts for the provision of ferry services on the Clyde and Hebrides (CHFS) and Northern Isles (NIFS) networks.
- 3.2 Caledonian Maritime Assets Limited (Company Number SC001854) (CMAL) is a private limited company, incorporated in May 1889. It was formerly known as Caledonian MacBrayne Limited, having changed its name to Caledonian Maritime Assets Limited in October 2006. The Scottish Ministers own the entire share capital in CMAL pursuant to the Transport (Scotland) Act

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1989 and subsequently the Scotland Act 1998, and have the right to appoint and remove directors. CMAL procures and owns the vessels deployed in the CHFS fleet, which are chartered to Calmac Ferries Limited as the current operators of the CHFS network. CMAL also owns around half of the port infrastructure relied upon for delivery of the CHFS contract network, with others owned by trust, council and private harbour authorities.

- 3.3 David MacBrayne Limited (Company Number SC015304) (DML) is a private limited company, incorporated in October 1928. The Scottish Ministers own the entire share capital in DML pursuant to the Transport (Scotland) Act 1989 and subsequently the Scotland Act 1998, and have the right to appoint and remove directors.
- 3.4 Calmac Ferries Limited (Company Number SC302282) (CFL) is a private limited company, incorporated in May 2006. DML owns the entire share capital in CFL. CFL is the operator of the Clyde and Hebrides Ferry Services (CHFS) contract 2016-2024 let by the Scottish Ministers, having secured the contract following a competitive tender process. CFL operates the CHFS contract under the Caledonian MacBrayne brand, using vessels chartered from CMAL.
- 3.5 Caledonian MacBrayne Limited (Company Number SC308636) is a dormant, private limited company owned by CMAL. The intellectual property rights in the Caledonian MacBrayne brand are owned by CMAL.
- 3.6 The relationships between the tripartite bodies are complex, but well established and understood by the parties. A high level summary of the interactions between the parties is found in Audit Scotland's 2017 report entitled "Transport Scotland's Ferry Services"¹, a modified copy of which is included as Figure A for reference.
- 3.7 Scottish Ministers also provide ferry services on the Northern Isles network, with the contract for ferry services procured and managed by Transport Scotland. The incumbent operator of the NIFS network is Serco Northlink Limited. However, this project focuses on the tripartite on the CHFS network, as a consequence of the unique complexity of Ministers' shareholding in addition to procurement, contract management and capital funding roles. Relationships on the NIFS network may be relevant as a point of comparison or contrast, but otherwise do not form part of this project.

¹ <https://www.audit-scotland.gov.uk/report/transport-scotlands-ferry-services>

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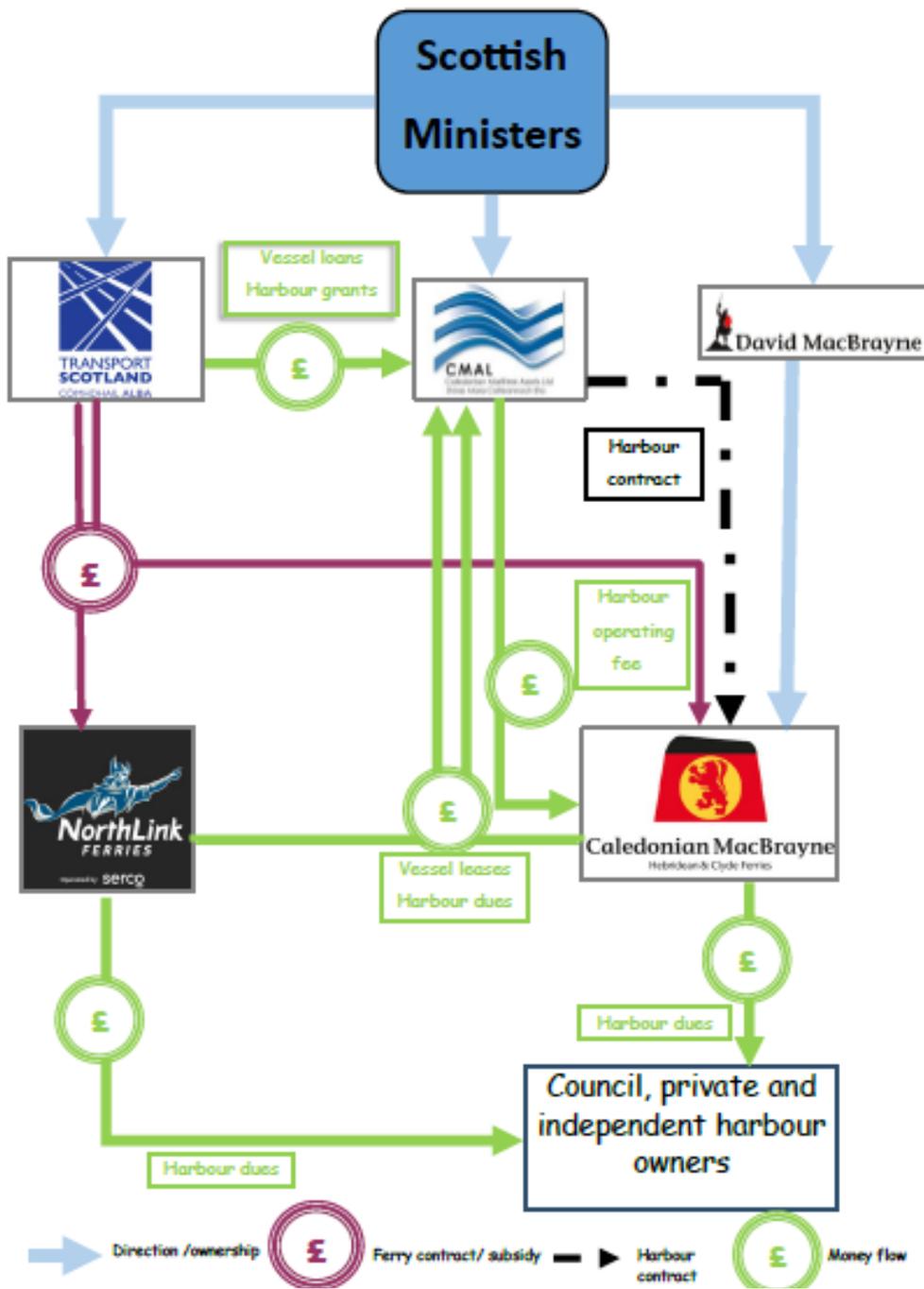
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o Figure A

3.8 This project relates to governance and accountability and not to the merits of particular substantive policy decisions or operational practices. Governance arrangements and accountability for decision making will have a direct impact upon Scottish Ministers' commitment to delivering efficient, effective and

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economic ferry services. Consideration of policy or operational issues should be restricted to illustrative examples of how governance arrangements impact upon service delivery.

4. DEFINITIONS

Expression or Acronym	Definition
CalMac	The Caledonian MacBrayne brand owned by CMAL and under which the CHFS network is operated.
CMAL	Caledonian Maritime Assets Limited.
CFL	Caledonian Ferries Limited
CHFS	Clyde and Hebrides Ferry Service – The contract name for services delivered on behalf of Scottish Ministers in the Clyde region and to Outer and Inner Hebrides
DML	David MacBrayne Limited – The parent company of CFL
NIFS	Northern Isles Ferry Service – The contract name for services delivered on behalf of Scottish Ministers to Orkney and Shetland
TS	Transport Scotland

5. SCOPE OF REQUIREMENT

- 5.1 The Supplier will prepare a report for Scottish Ministers on whether the governance arrangements between the tripartite bodies remain fit for purpose having regard to the overarching objective of effective, efficient and economic delivery of lifeline ferry services.
- 5.2 The report will contain reflections on the positive aspects of the current arrangements, areas for improvement, and balanced recommendations for the optimal corporate structures and governance arrangements going forward. The project should identify any specific, practical recommendations to improve transparency of decision making for interested parties.
- 5.3 By way of introductory briefing, the Supplier will be provided with previous, but incomplete, work carried out by TS on the structural options. The Supplier should undertake independent analysis to identify optimal structures and/ or

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governance arrangements which facilitate the most effective, economic and efficient delivery of lifeline ferry services and facilities.

5.3.1 Specific requirements to be included:-

- **Transparency and Effectiveness**

Reflections on the 2006 decision to separate infrastructure and operation of Scottish ferries, in particular whether this continues to be the preferred approach in a post EU Exit context with respect both procurement and state aid legislation.

- **Accountability and decision making**

Review the legal, financial and operational controls of TS, CMAL and CFL/DML ensuring efficiency and value for money. Review the efficacy of current corporate structures and governance arrangement in delivering the implementation of Ministers' policy priorities as shareholder.

- **Collaboration**

Recommendation of a potential route/structure for direct award of ferry services contract, that Scottish Ministers could consider as part of a future strategy

- **Value for Money**

Analyse the impact of structure and governance arrangements on Scottish Government financing and inter organisation money flows.

- **Responsiveness to Change**

- Identify any "quick wins" in terms of efficiency, incentives and collaboration for effective decision making and delivery of ferry services.
- Examine and identify governance and structure options for long term consideration to include an assessment of global best practice This should include an analysis of the challenges and opportunities associated with options for decentralisation (unbundling of routes into smaller packages).

5.3.2 Assumptions

- Available funding for capital and resource requirements to operate ferry services will be provided by Scottish Government.

5.3.3 Specific Exclusions:-

- Operational or policy issues, such as timetabling, fares structures, communications strategies, individual vessel or infrastructure project procurement strategies, design strategies or outcomes.

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- Procurement of the CHFS and NIFS contracts. Views are sought on whether corporate structures would allow direct award of contracts in future. However, no advice is sought on the merits of otherwise of that approach. No advice is sought on the scope or duration of either the CHFS or NIFS contracts.
- Ferguson Marine – Although now in public ownership, the sustainable future for the yard is being progressed by SG Ferguson Marine Response Division. This could be treated as an interdependency if highlighted as a positive impact for ferry governance .
- Outcomes of National Transport Strategy and Strategic Transport Projects Review.

5.3.4 The Supplier will work with the SG Legal Department and their legal advisors in all aspects of legal analysis and opinion.

6. THE REQUIREMENT

6.1 The deliverables will be a report which will be provided to Scottish Ministers and will likely become a public document at the end of the process.

6.1.1 The final report should illustrate the analysis carried out, the findings, and specific practical recommendations including but not limited to:-

- Overview of effectiveness of existing arrangements
- Structure and governance
- Engagement and views of key stakeholders
- Examples of Good/Best practice from other private and public sector organisations
- Opportunities for efficiencies, improvements and greater Value for Money.
- Opportunities to improve transparency around decision making and accountability of decisions taken by the tripartite.

6.1.2 Illustration and diagrams can be used to interpret complex issues such as governance structures, financial payment cycles, motivations and decision making processes. Any illustrations or diagrams can be reproduced by Transport Scotland for any future purpose.

6.1.3 It is anticipated that one, or more, interim reports will be provided over and above regular engagement with the Transport Scotland Project team.

6.2 The Supplier will be able to demonstrate skills and experience in the following areas:-

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- 6.2.1 Understanding of Scottish Government policy in relation to ferries including but not limited to the National Transport Strategy, the Vessel Replacement and Deployment Plan, and the Ferries Plan.
- 6.2.2 Commercial expertise in a range of areas including but not limited to business to business partnership development, contract management, procurement, capital lending. Corporate restructuring and/or collaboration.
- 6.2.3 Knowledge of the maritime sector (ideally ferry operations), specific understanding of global best practice would be an advantage.

7. KEY MILESTONES AND DELIVERABLES

7.1 The following Contract milestones/deliverables shall apply:

Milestone/Deliverable	Description	Delivery Date
1	Inception Meeting	Within week 1 of Contract Award
2	Schedule of regular meetings with Transport Scotland Project team	Dates scheduled within week 1 of Contract Award
3	Agreed Programme of work to include schedule of engagement with key stakeholders	Dates scheduled within week 2 of Contract Award
4	Interim Report to outline the result of initial analysis	Dates scheduled within 1 week of contract award. Analysis completion within 3 months of award
5	Draft final report for discussion with Transport Scotland project team	Within 5 months of award
6	Final Report to include (at least): Executive summary Methodology and analysis Recommendations for short term actions and for further examination.	Within 6 Months of award

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8. MANAGEMENT INFORMATION/REPORTING

- 8.1 The Supplier will be provided with a letter of engagement including an exhaustive list of named individuals within Transport Scotland from whom instruction should be taken.
- 8.2 The Supplier will be provided with contact details of key personnel within Transport Scotland, CMAL, CFL and DML with whom direct contact should be made, from whom instruction should not be accepted, but who will represent useful points of contact to ensure that a rounded understanding of issues can be developed. Any background information required from these organisations should be identified in tenders so this can be sourced timeously if available.

9. VOLUMES

- 9.1 It is anticipated that the final report will be in the order of 30-50 pages and will include an executive summary of 2-5 pages.
- 9.2 Additional information and analysis can be appended to the report in suitably referenced annexes.

10. CONTINUOUS IMPROVEMENT

- 10.1 The Supplier will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.
- 10.2 The Supplier should present new ways of working to the Authority during weekly and monthly Project meetings.
- 10.3 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

11. SUSTAINABILITY

- 11.1 Suppliers should identify how they will adapt to current Covid lockdown restrictions, such as video conferencing replacing face to face meetings and use of electronic communications rather than paper.

12. QUALITY

- 12.1 Suppliers should identify and agree with the client, an appropriate lay out for the final report that should include an executive summary and specific recommendations. Suppliers must consider that due to the high profile nature of this project there is the likelihood that the final report will be published by Scottish Government.

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13. PRICE

13.1 We welcome innovative pricing structures, with an emphasis on value and cost certainty for each stage of the project. The Supplier will invoice monthly in arrears, with each invoice to be accompanied by a detailed breakdown of costs incurred.

14. STAFF AND CUSTOMER SERVICE

14.1 The Supplier shall provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service.

14.1.1 The Supplier's staff assigned to the Contract shall have the relevant qualifications and experience to deliver the Contract to the required standard.

14.1.2 The Supplier shall ensure that staff understand the Authority's vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

14.2 SERVICE LEVELS AND PERFORMANCE

14.2.1 The Authority will measure the quality of the Supplier's delivery by a service level agreement as stated in the below table.

14.2.2 This project is a high profile ask from Scottish Ministers and will be scrutinised closely. It is therefore imperative that deadlines are met. Transport Scotland would welcome evidence and/or suggestions on shortened delivery proposals.

14.2.3 Project updates will be held weekly but will be appropriate and commensurate using substitutes where necessary.

KPI/SLA	Service Area	KPI/SLA description	Target
1	Start up	Inception Meeting	Within week 1 of Contract Award
2	Customer engagement	Schedule of Regular meetings with Transport Scotland Project team	Dates scheduled within week 1 of Contract Award

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3	Client Monitoring and Engagement	Agreed Programme of work to include schedule of engagement with key stakeholders	Dates scheduled within week 2 of Contract Award
4	Project Output	Interim Report to outline the result of initial analysis	Dates scheduled within 1 week of contract award. Analysis completion within 3 months of award
5	Project Output	Draft final report for discussion with Transport Scotland project team	Within 5 months of award
6	Project Output	Final Report to include an executive summary, recommendations for short term actions and for further examination.	Within 6 Months of award

14.3 Failure to deliver the key service and performance indicators can lead to delay in payment and ultimately lead to contract termination. Initial failure to deliver must be recorded and acknowledged by both parties. Any failure to deliver must be discussed within 5 working days and a solution agreed within 10 working days. If a remedial solution cannot be reached the client must provide all work and analysis carried out and the contract may be terminated by either party.

15. SECURITY AND CONFIDENTIALITY REQUIREMENTS

- 15.1 Transport Scotland will provide access to Buchanan House (should that be required and in-line with Covid-19 advice at the time).
- 15.2 Should the requirement be to hold discussions remotely a suitably approved and secure system should be used for this purpose e.g. Skype, Microsoft teams or similar

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- 15.3 The content and emerging finding may contain sensitive information which should be ONLY be disclosed to named personnel within the Transport Scotland Project team.
- 15.4 The likelihood would be that the final report and recommendations will be published by Scottish Government. It is imperative that the content remains confidential until the Scottish Parliament has been informed.

16. PAYMENT AND INVOICING

- 16.1 Invoicing will be undertaken on a monthly basis with an agreed submitted timesheet on hours undertaken on the project.
- 16.2 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.
- 16.3 Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.
- 16.4 Invoices should be submitted by e-mail to: invoices@transport.gov.scot Supplier is also to provide invoices to the project Manager, Gordon Macleod, when submission is due.

17. CONTRACT MANAGEMENT

- 17.1 The Supplier shall provide a schedule of contract progress meetings with draft agenda, to be approved by Transport Scotland in line with requirements of section 7.2 above.
- 17.2 Attendance at Contract Review meetings shall be at the Supplier's own expense.

18. LOCATION

- 18.1 The location of the Services will be carried out at a location agreed at award stage in- line with current COVID-19 restrictions and control measures.

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